

Annual Report, 1966



SASKATCHEWAN,
HOME OF THE GREY CUPS



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Honourable G. B. Grant
Vice-Chairman



S. L. Buckwold



T. E. Myers



To His Honour,
The Honourable Robert Leith Hanbidge,
Lieutenant-Governor of the
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 1966, including the financial statements for the year duly certified by the Provincial Auditor of Utilities and in the form approved by the Treasury Board, all in accordance with The Power Corporation Act of 1950.

I have the honour to be, Sir,

Your obedient servant,

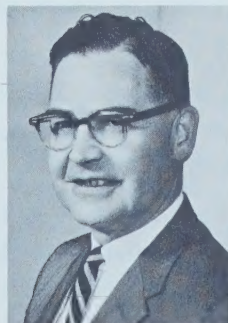
Minister in Charge of the
Saskatchewan Power Corporation.



BOARD OF DIRECTORS



A. T. Wakabayashi



E. W. Bowman



D. S. MacDonald



J. M. Longpré



THE HONOURABLE D. G. STEUART, *Chairman*,
and Members of the Board of Directors,
Saskatchewan Power Corporation,
REGINA, Saskatchewan.

GENTLEMEN:

The accompanying reports and financial statements for 1966 reflect a successful year of operations. Net Income increased to \$10.4 million.

Sales of electricity increased 18 per cent and sales of gas increased 10 per cent, compared to 1965. These increases reflected the general buoyancy of the economy of the Province and improved industrial consumption. Both Gas and Electric Systems are expanding much faster than the Canadian average.

The reorganization of the Corporation implemented late in 1965, which separated the Gas and Electric Systems, has proven its worth in 1966. Mr. Keith, Manager of the Electric System, and Mr. Mollard, Manager of the Gas System, have handled the problems encountered during the year confidently and well. They have been able to keep expenses from rising unduly while maintaining, and indeed improving, the level of service to our customers. I wish to record my appreciation and thanks.

As regards the Electric System, the increase in sales was in part due to supplying the City of Regina for the full year. Industrial consumption also increased significantly and over one-third of the energy sold went to industrial customers.

The continuing growth in electrical load necessitated re-examination of forecasts, and plans for future power plant installations were advanced accordingly. Mutually profitable arrangements were made with Manitoba Hydro to exchange power during the next few years.

The City of Regina has asked for a judicial interpretation of the electric utility purchase agreement to determine whether the Corporation must bear the full costs of underground wiring in the city. In other communities served by the Corporation, the cost is shared between the Corporation and the customer.

A portion of the increase in sales of the Gas System came from a colder than average year. More industrial use also contributed, with approximately 30 per cent of the gas sold going to industrial customers.

Gas service was extended to 13 new communities, one more than in 1965. The trial project to bring natural gas to the communities of Rosthern, Duck Lake, Hague, Warman and Osler, at higher than standard rates, received excellent acceptance. As a result, plans have already been announced to extend gas service to 23 communities in 1967.

In May, the electrical workers of the Corporation chose to be represented by the International Brotherhood of Electrical Workers. In September, gas and clerical workers represented by the Oil, Chemical, and Atomic Workers International Union went out on strike. The Essential Services Emergency Act, 1966, passed at an emergency session of the Legislature, was proclaimed on September 12 to end the strike. Under the provisions of the Act, an Arbitration Board was set up under the chairmanship of His Honour, Judge Kindred, to settle the items in dispute. Proceedings before the Board were not completed at year-end.

The Board of Directors held some of its regular meetings outside the City of Regina. Meetings were held at Prince Albert, Saskatoon, Swift Current, and Yorkton.

I am pleased to report that our safety record was again favourable, leading to lower Workmen's Compensation Board assessments for 1967.

I wish to acknowledge my appreciation to the Board of Directors for their direction, support and encouragement, as well as to the management and all of the employees of the Corporation. In particular, I want to thank management and supervisory employees who, during the difficult period of the strike, maintained all essential gas and clerical services to our customers. Our customers were in turn most patient and understanding, for which I sincerely thank them.

Mr. L. I. Hockley of Indian Head, one of the original directors of the Corporation, passed away in January, 1967. His long service to the Corporation, particularly in farm electrification, was deeply appreciated.

Respectfully submitted,

D. B. Furlong

General Manager.





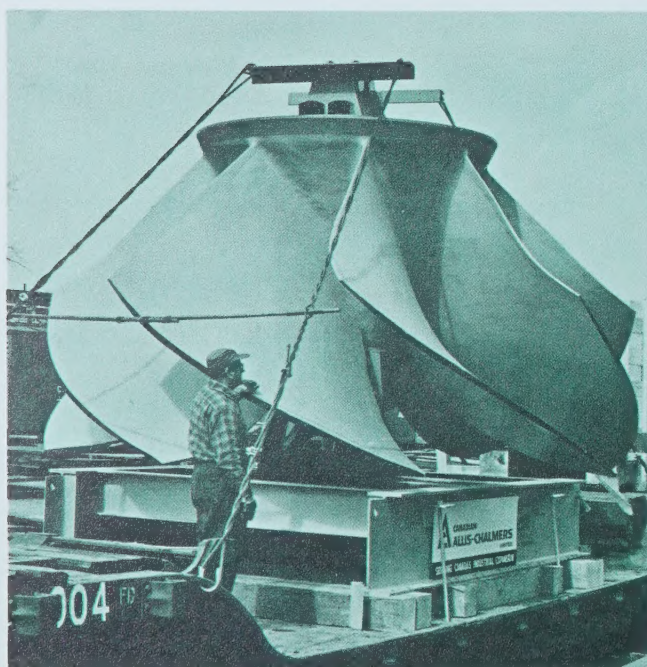
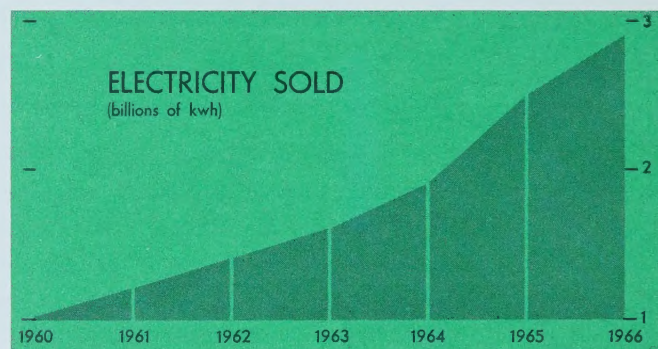
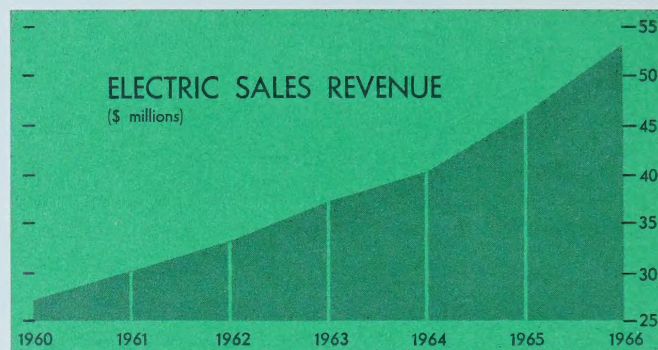
ELECTRIC SYSTEM

Revenues from the sale of electricity reached \$52.9 million, an increase of 14.8 per cent over 1965. At year end, 258,577 customers were receiving service, an increase of over 7,200. Over 2.9 billion kilowatt-hours were sold, an increase of 18.5 per cent over 1965.

Expenses and interest costs were 12.8 per cent higher than in 1965. Most of the increase in operating expenses resulted from greater production by steam power stations to make up for reduced water flows available for hydro-electric use. Unit costs of fuel also increased. Operating expenses, other than for fuel, did not increase significantly.

During the year, the Corporation realized significant savings by purchasing energy from Manitoba. The high-voltage interconnection linking the two systems provided a useful source of emergency supply during unforeseen delays in completing maintenance work at the Queen Elizabeth and Boundary Dam power stations, and at times of reduced river flow.

New agreements were concluded with Manitoba Hydro for the exchange of capacity and energy for the period 1967 to 1971.

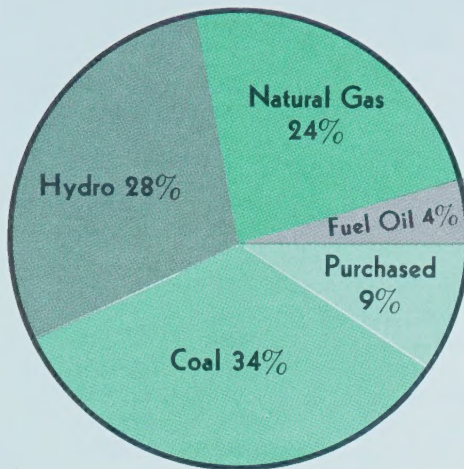


The eighth and final runner destined for Squaw Rapids.

INCOME STATEMENT

	\$ Millions	
	1966	1965
REVENUE		
Electricity sales	\$ 52.9	\$ 46.1
EXPENSE		
Operating, engineering and administration	\$ 20.3	\$ 16.7
Depreciation	13.2	12.2
	<u>\$ 33.5</u>	<u>\$ 28.9</u>
OPERATING INCOME	\$ 19.4	\$ 17.2
Other income	.8	.8
	<u></u>	<u></u>
GROSS INCOME	\$ 20.2	\$ 18.0
INCOME DEDUCTIONS		
Interest and other long-term debt costs	14.2	13.4
	<u></u>	<u></u>
NET INCOME	\$ 5.9	\$ 4.7

PRODUCTION



POWER PRODUCTION

Production at the Squaw Rapids Hydro-Electric Power Station was 974 million kilowatt-hours, some four per cent below the 1965 output of over one billion. The drop in production occurred in the latter part of 1966 because of low precipitation in the Saskatchewan River drainage basin, together with the need for water storage in Lake Saskatchewan, behind the Gardiner Dam.

Production from the steam power stations increased sharply during the year. Output from the Queen Elizabeth, A. L. Cole and Regina power stations surpassed all previous annual production records.

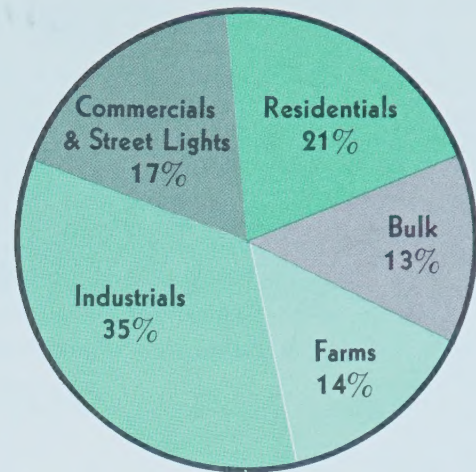
To ensure adequate reserves of fuel from the Estevan area, exploratory work was done in the lignite coal fields adjacent to the Boundary Dam Power Station. Steps were taken to acquire rights to 35 million additional tons of lignite coal.

Coteau Creek Hydro-Electric Power Station — On-site construction of this 187,500-kilowatt station started in August and was on schedule at year-end. During the year, design work was completed and contracts were awarded for construction of the powerhouse, penstocks, tailrace, and appurtenant works.

Boundary Dam Power Station — Work on the 300,000-kilowatt extension to this station started in July and was on schedule at year-end. Contracts for concrete aggregate, foundations, and structural steel were awarded, as well as several contracts for mechanical equipment.

Success Power Station — A 15,000-kilowatt jet-type gas turbine-generator, planned for commercial operation in December, failed to meet the target date because of commissioning difficulties. The unit was expected to be available for service in January, 1967. Contracts for

DISTRIBUTION



supply and delivery of two additional machines in 1967 were awarded during the year.

Situated near the Corporation's natural gas compressor station at Success, this station will be operated during peak periods and will provide stand-by capacity.

Squaw Rapids Hydro-Electric Power Station — The seventh and eighth generating units at this station were placed in commercial service in November and December respectively, bringing rated capacity to 281,000 kilowatts. The cost of this final stage of construction was \$4.35 million, about 10 per cent below the estimate.

TRANSMISSION

A 138,000-volt transmission line was built from Beatty to Tisdale. This 37-mile wood pole line will serve as reinforcement to the northeastern part of the system and will operate initially at 72,000 volts.

A total of 162 miles of 72,000-volt transmission line was built to supply new step-down substations and new industrial customers.

An earthfill island, to accommodate future transmission line crossings, was built in the South Saskatchewan River approximately three miles downstream from the South Saskatchewan Landing Bridge. As the island location is in the upper reaches of Lake Saskatchewan, construction was necessary before the operating water levels were reached in 1967.

SUBSTATIONS

Increases in substation capacity totalling 120,000 kilovolt-amperes were made in 138,000-volt to 72,000-volt substations located at Yorkton, Wolverine, and Tantaloon. In addition to the 35,000 kilovolt-ampere step-up transformer installed at the Success Power Station, a

new 40,000 kilovolt-ampere substation was built at Regina to meet increased customer requirements. A 96,000 kilovolt-ampere step-up transformer was installed at Squaw Rapids.

Seven 72,000-volt to 25,000-volt substations, totalling 31,000 kilovolt-amperes, were built. Modifications were carried out at nine other substations with a resulting increase in capacity of 24,000 kilovolt-amperes.

The three mobile substations were used extensively during alterations and maintenance to existing substations as well as during construction of new facilities.

DISTRIBUTION

Increases in capacity totalling more than 10,000 kilovolt-amperes were carried out in distribution substations serving 36 communities. Primary distribution voltage was increased from 2,400 to 4,160 volts in 14 communities and from 4,160 to 14,400 volts in one community to meet growing load requirements.

At year-end, nearly 89,000 distribution transformers were in service.

Over 2,600 mercury vapor street lights were installed in various communities throughout the system during 1966.

Indian Reserves — Extension of electric service to Indian Reserves continued and service was made available to 315 new customers. At the end of the year, the Corporation was serving approximately 850 customers in 20 reserves.

Underground — Approximately 1,900 lots in 22 urban communities were serviced with underground extensions during the year, bringing the total number of lots so served to more than 6,000.

Industrial Services — Service was extended to 508 oil wells, an increase of 13.6 per cent over the 3,728 served at the end of 1965. Installed transformer capacity for oil field services was over 100,000 kilovolt-amperes.

Eight industrial services, each with a load of more than 500 kilovolt-amperes, were connected to the system during 1966. These included four customers in the potash industry, three pipeline pumping locations, and one sodium sulphate plant.

Consumption by industrial customers, including oil fields, amounted to more than one billion kilowatt-hours. This is equivalent to the total system requirements for 1960 and represents an increase of more than 21 per cent over industrial consumption in 1965.

GENERATION STATISTICS

Power Station	Rated Generating Capacity (kw)	kwh (000's)	% Increase or Decrease over 1965
HYDRO			
Squaw Rapids	281,000	973,597	—4.0
STEAM			
Boundary Dam	132,000	670,311	—6.9
Estevan	70,000	317,601	21.9
A. L. Cole	108,000	237,438	46.6
Queen Elizabeth	132,000	528,687	20.4
Regina A	70,000	326,612	77.6
Moose Jaw (1)	25,000	8,292	179.5
Total	537,000	2,088,941	18.1

INTERNAL COMBUSTION			
Kindersley	25,000	110,747	8.3
Regina B	21,000	22,705	140.1
Swift Current	14,500	53,994	24.3
La Ronge (2)	1,650	1,943	36.4
Total	62,150	189,389	20.9

GROSS TOTAL	3,251,927	10.7
Less Station Service	155,888	8.2

NET GENERATED	3,096,039	10.8
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NET PURCHASED	295,790	
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NET SYSTEM kwh	3,391,829	18.1
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GROSS PEAK GENERATED		
(December 6)	717,500 kw	8.2

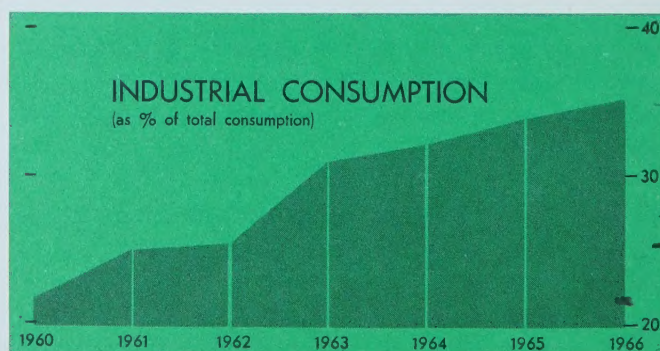
SYSTEM GROSS PEAK LOAD		
(November 30)	729,000 kw	10.0

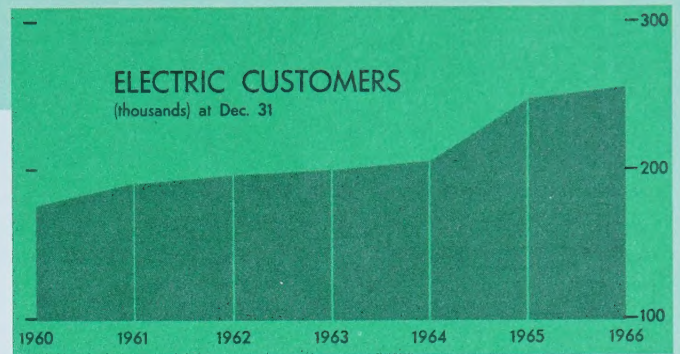
SYSTEM MINIMUM LOAD		
(June 19)	208,000 kw	9.5

RATED GENERATING CAPACITY		
	880,150 kw	10.0

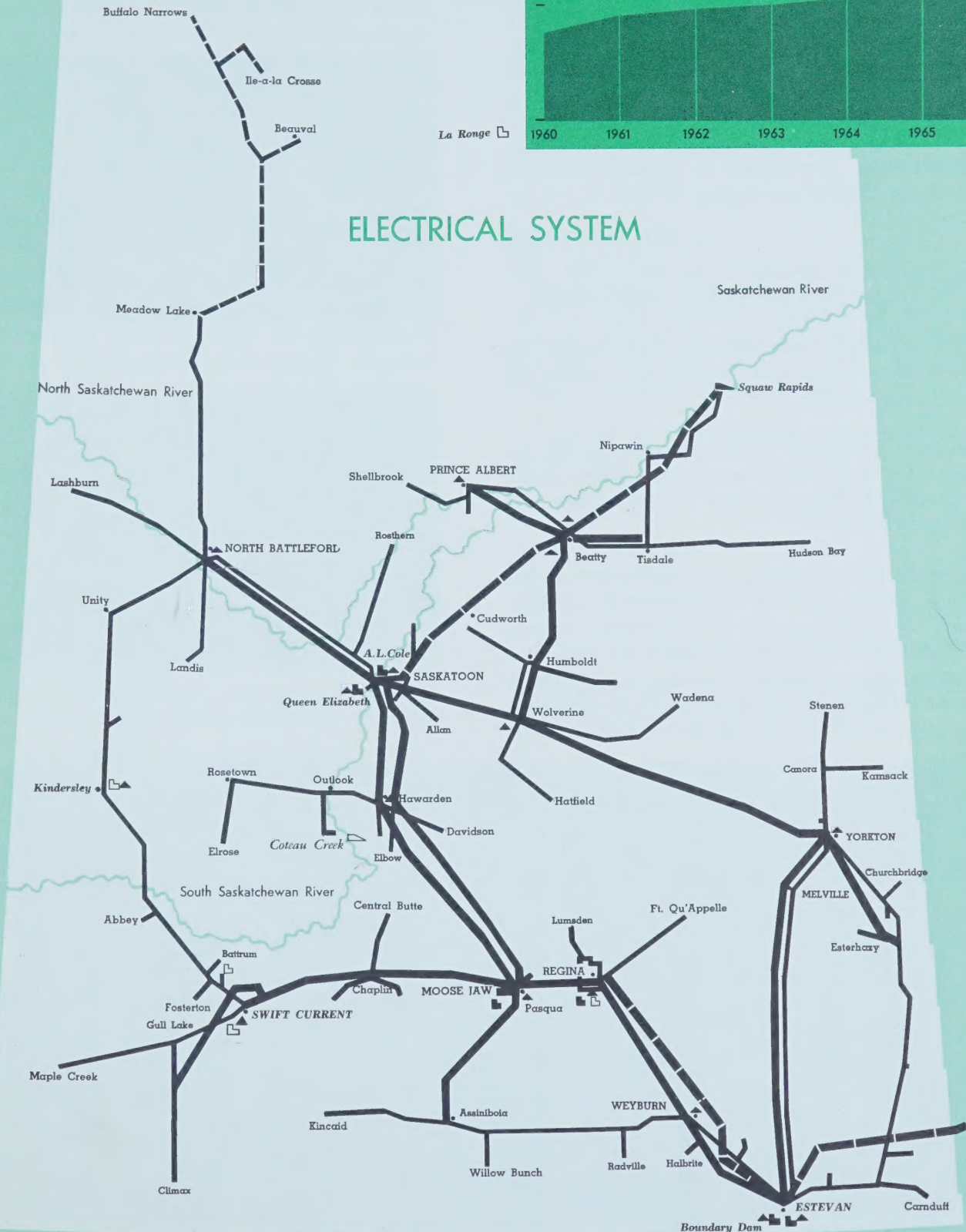
(1) Operated only during January, May, November and December.

(2) Mobile No. 2 Power Station moved to La Ronge in May.





ELECTRICAL SYSTEM



- HYDRO STATION ▢ HYDRO SITE
- ▲ SWITCHING STATION
- THERMAL POWER STATION
- ▢ DIESEL AND GAS POWER STATION

- NORTHERN DEVELOPMENT OPERATING AT 25 KV
- ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 72 KV
- ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 138 KV
- ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 230 KV



NATURAL GAS SYSTEM

Gas system revenue, including revenue from gas sold to the Electric System for power generation, reached a new high of \$30.1 million in 1966. This represents a 10.2 per cent increase over the comparable 1965 revenue of \$27.3 million. The number of customers served at year-end was 122,019, an increase of 8,435 or 7.5 per cent.

Gas delivered to the system was 72.5 billion cubic feet, an increase of 11.9 per cent over 1965 deliveries.

Expenses generally were well controlled. Curtailment of supply to customers with interruptible contracts was held to a minimum.

Two new gas sources began delivering gas to the system in the fall of 1966. These were the Trans-Canada Pipe Lines Limited pipe line from Provost to Unity, and the Bayhurst gas field.

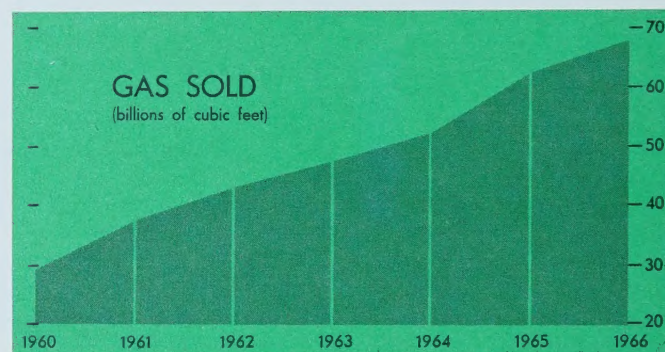
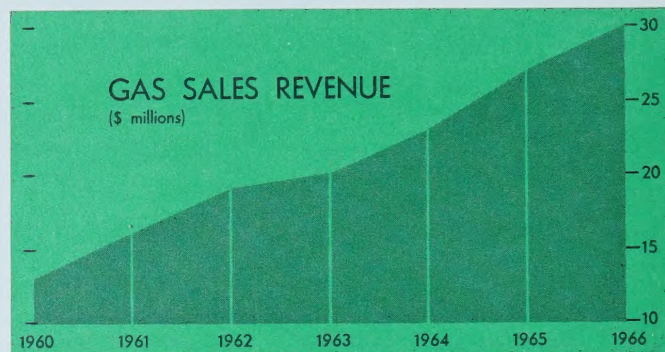
The experimental program of extending natural gas service to new communities at higher rates, reflecting the cost of service, received an enthusiastic response from customers in the Rosthern-Duck Lake area. This acceptance prompted the Corporation to announce a three-year program to extend service to 85 additional communities, providing each one meets sign-up requirements.

Communities in the 1967 program include:

Eatonia	Dalmeny	Wiseton
Allan	Shellbrook	Conquest
Lanigan	Parkside	Milden
Viscount	Leask	Sovereign
Guernsey	Marcelin	Rouleau
Colonsay	Blaine Lake	Wilcox
Plunkett	Outlook	Glenavon
Langham	Dinsmore	

RESERVES

Natural gas reserves owned by the Corporation, plus those held under contract, are estimated at 1,900 billion cubic feet. This is equivalent to 26 years' supply at current rate of consumption.



INCOME STATEMENT

	\$ Millions	
	1966	1965
REVENUE		
Natural gas sales	\$ 30.1	\$ 27.3
EXPENSE		
Operating, engineering and administration	\$ 14.3	\$ 12.5
Depreciation and depletion	5.7	4.9
	\$ 20.0	\$ 17.4
OPERATING INCOME	\$ 10.1	\$ 9.9
Other income	.5	.3
GROSS INCOME	\$ 10.6	\$ 10.2
INCOME DEDUCTIONS		
Interest and other long-term debt costs	6.1	6.4
NET INCOME	\$ 4.5	\$ 3.7

STORAGE

Underground caverns at Regina, Prud'homme and Melville were used for storage purposes in 1966. Additional storage capacity was being developed at Regina and Prud'homme. At year-end, cavern volumes were as follows:

Location	Millions of standard cubic feet	
	Usable Storage	Under Development
Melville	350	
Regina	540	125
Prud'homme	150	100

Preliminary work was done in the search for an underground formation suitable for aquifer storage near Prince Albert. Aquifer storage is accomplished by injecting gas into a water-filled porous formation of suitable shape. Development of such storage would result in increased peaking capacity and emergency standby in the northern area.

TRANSMISSION

A total of 260 miles of transmission and gathering pipe line was added to the system in 1966. The major projects included: 56 miles of 16-inch transmission line from Unity to Biggar to accept deliveries of gas under the new contract with Trans-Canada Pipe Lines Limited, 28 miles of 12-inch pipeline extending from the Bayhurst Field to Trans-Canada's main trunk line, and 39 miles of 10-inch pipeline from Whitewood to inter-

connect with the existing system near Esterhazy. Gathering system construction involved four miles of 16-inch line and 6.5 miles of 10-inch line.

Two turbine-driven centrifugal compressors, each rated at 1,100 horsepower, were installed to increase the system's compressor capacity to 31,700 horsepower. One compressor was installed at Unity to accommodate gas deliveries from Trans-Canada Pipe Lines Limited; the other at Saskatoon to compress gas entering the Prince Albert transmission line.

DISTRIBUTION

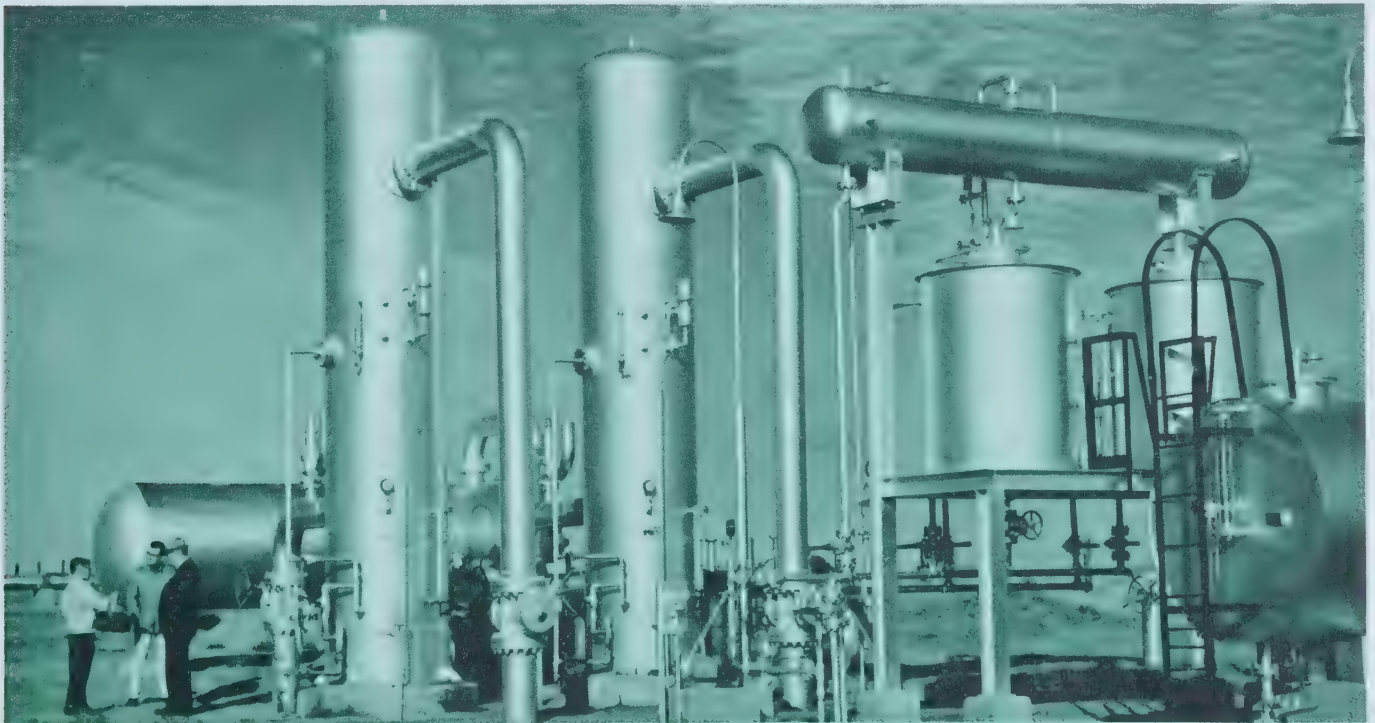
The following thirteen communities were added to the Corporation's gas system, bringing the total number now served to 202: Rocanville, Gerald, Yarbo, Tantallon, Spy Hill, Fox Valley, Manor, Landis, Hague, Osler, Warman, Rosthern, and Duck Lake.

Details of the 1966 distribution program are shown in the following table:

	Communities		
	New	Existing	Total
Miles of new mains	35.8	83.7	119.5
New services	1,746	5,709	7,455
New customers (net)	813	7,622	8,435

At year end, there were 125,000 gas services installed.

During the year, over 128,000 customer service calls were made, about one call per customer.



This equipment at Hatton removes impurities from gas before it enters the system.

NATURAL GAS PRODUCTION

Millions of Cubic Feet
at 14.65 psia

1966 1965

NORTHERN SYSTEM

Brock Unit	1,008	976
Coleville Unit	7,371	7,221
Smiley Residue	536	781
Hoosier Unit	4,633	4,783
North Hoosier & Milton Fields ...	2,590	1,537
Altair	165	131
Sibbald Unit	2,463	3,579
T.C.P.L. Limited	2,260	—

Sub Total	21,026	19,008
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SOUTHERN SYSTEM

Success-Cantuar Field	2,290	2,589
Medicine Hat Field	29,187	27,200
Hatton Field	5,553	3,997
Horsham Pool	3,781	3,191
Gull Lake Field	2,922	205
Steelman Residue Gas	—	4,277
Nottingham Residue Gas	1,564	1,498
Dollard Residue Gas	267	243
Bayhurst Field	1,172	—
T.C.P.L. Limited	4,013	3,364

Sub Total	50,749	46,566
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TOTAL	71,775	65,574
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STORAGE

Unity Field		
Gas Placed in Storage	1,141	2,469
Gas From Storage	2,014	2,166

Melville Cavern		
Gas Placed in Storage	367	643
Gas From Storage	362	545

Regina Cavern		
Gas Placed in Storage	521	409
Gas From Storage	432	158

Prud'homme Cavern		
Gas Placed in Storage	172	174
Gas From Storage	129	74

Net From Storage	736	(752)
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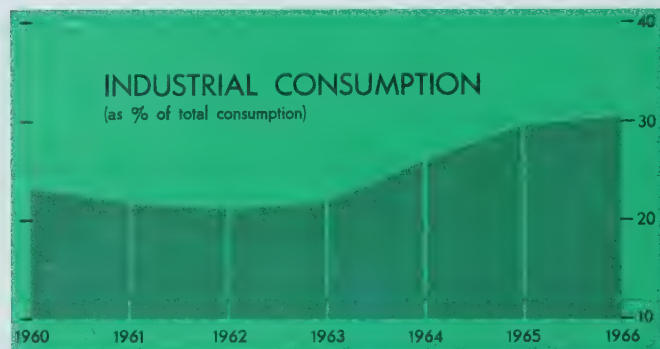
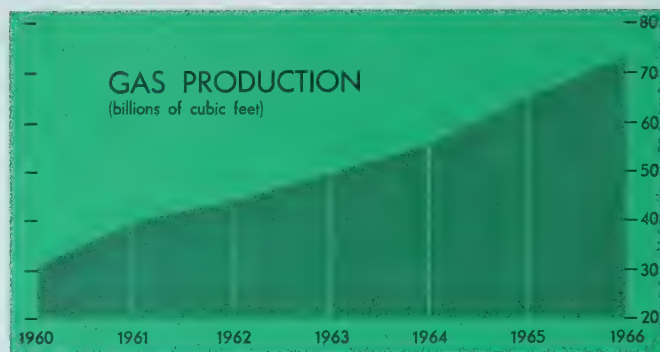
NET SYSTEM

REQUIREMENTS	72,511	64,822
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Increase over 1965	11.9%
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Maximum Daily Production (November 30 in 1966)	361	319
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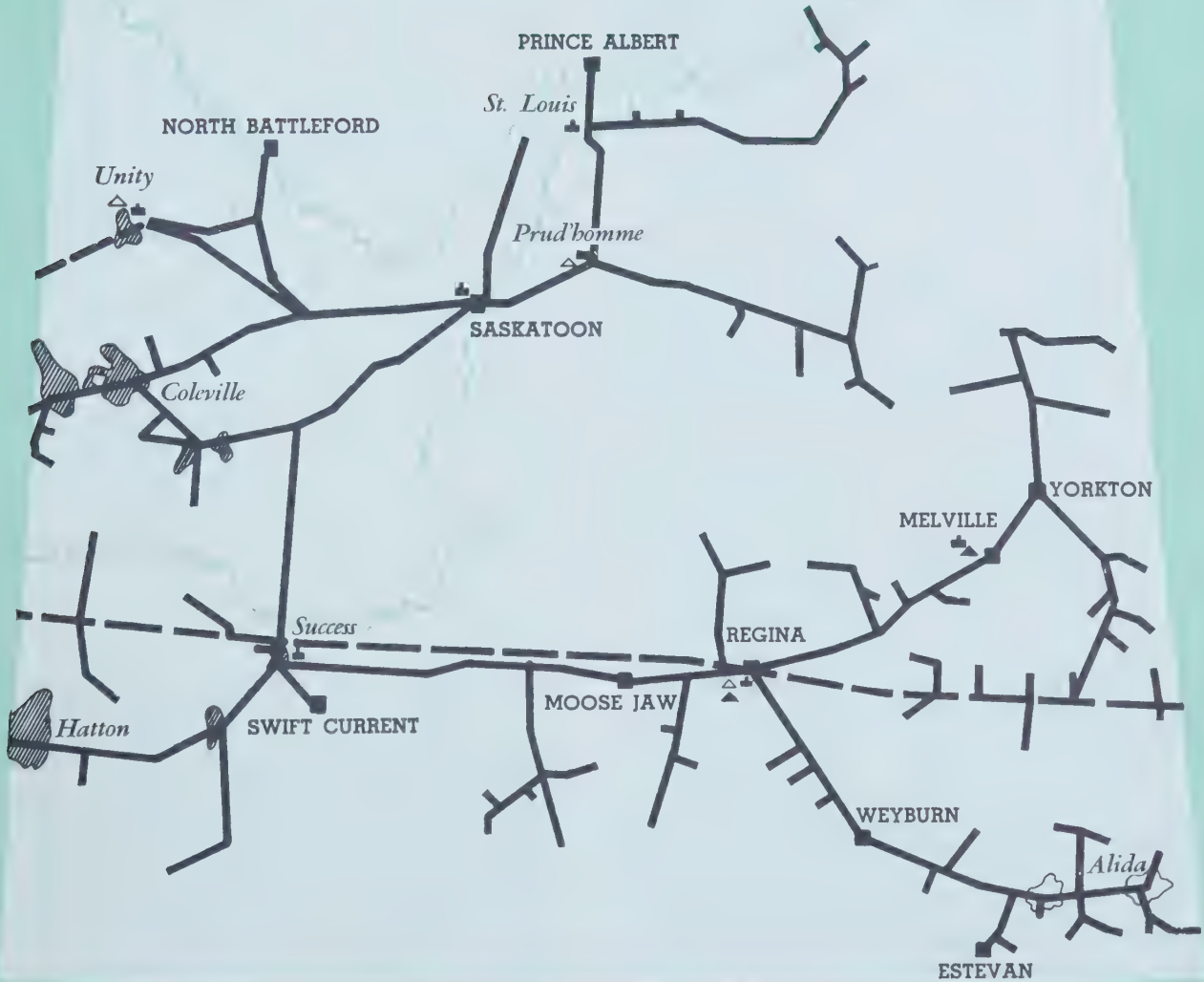
Increase over 1965	13.3%
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About 260 miles of pipeline was added to the system.



NATURAL GAS SYSTEM



— NATURAL GAS TRANSMISSION LINE
 --- TRANS-CANADA PIPELINES LTD.
 ■ COMPRESSOR STATION

▲ UNDERGROUND STORAGE CAVERN
 △ UNDERGROUND STORAGE CAVERN SITE

■ NATURAL GAS FIELD
 ■ FLARE GAS SUPPLY SOURCE

Staff — At the year-end, staff totalled 2,654 including 171 seasonal employees and 87 employees in temporary positions. This is a reduction of 116 employees compared with the total at the end of 1965. The average monthly total for all staff amounted to 2,779, a reduction of 10 compared to 1965.

The Trades Training Centre at Weyburn conducted 23 courses in the January-June period, in which 171 employees participated. Two courses were conducted outside the Centre, as part of a program of on-site training; the class on underground distribution wiring was attended by 82 employees, and the course on compressor stations by four employees. Academic upgrading courses outside working hours were taken by 119 employees.

Lineman training courses were carried out in conjunction with the Saskatchewan Powerline Contractors Association and the Department of Education, with the Federal Department of Labour sharing in the cost. Under the plan, 59 employees and 19 contractors' men received training.

In May, the electrical employees of the Corporation voted to be represented by the International Brotherhood of Electrical Workers instead of by the Oil, Chemical and Atomic Workers International Union. Employees in the Gas System and in the clerical areas of the Corporation remained in the O.C.A.W. union.

The first strike in the history of the Corporation occurred on September 2nd and involved some 1,200 gas and clerical employees represented by the O.C.A.W. union. Negotiations which had commenced on March 18 were delayed by proceedings before the Labour Relations Board as regards the electrical employees and finally broke down completely at the end of August. During the strike which lasted 10 days, all essential services were maintained by supervisory and management personnel.

During the strike, an emergency session of the Provincial Legislature passed the "Essential Services Emergency Act". Proclamation of this Act on September 12 resulted in the immediate return to work of all employees.

As required by the Act, a Board of Arbitration was established under the Chairmanship of His Honour, Judge Andrew M. Kindred, to settle the matters in dispute. Professor James N. McCrorie was nominated to the Board by the O.C.A.W. Union and Mr. Allan Embury, Q.C., by the Corporation. The Board, which held hearings from October 3 to November 30, had not

completed its work at year-end and was expected to reconvene early in 1967.

Land — The increasing attention required to administer land rights for power and gas line rights-of-way led to the creation, late in the year, of a separate Land Department. The need for this was heightened by hearings before the Royal Commission on Surface Rights and Pipeline Easements at which the Corporation presented a brief and gave evidence. The report of the Royal Commission, published in November, contains recommendations affecting the Corporation and certain provisions of the Power Corporation Act dealing with rights-of-way acquisitions for the supply of electricity to oil wells, tank batteries and other oil field equipment.

Safety — The Corporation's safety record was comparable to the favourable one established in 1965 for which an accident reduction award was received from the Canadian Electrical Association. The Workmen's Compensation Board rates for 1967 were reduced. There were 91 lost-time accidents in 1966, compared to 83 in 1965.

The Corporation continued in its efforts to promote public safety through radio, television and newspapers.

Computer Services — A program for processing job orders was implemented increasing to seven the number of large business data programs processed by the computer. Several programs of engineering calculations were also in regular operation.

The core memory of the computer was doubled, bringing core capacity of the installation to 32,000 words.



The Key punch Section processes an average of 300,000 accounts each month.

The time sharing feature — the computer's ability to handle several jobs at the same time — was effective in achieving an average output rate 1.75 times that of a regular computer handling one application at a time.

Financial — Revenues from sales, expenses and profits again reached record levels:

Revenues increased by \$8,300,000 to \$80,700,000

Expenses increased by \$6,300,000 to \$71,500,000

Profits increased by \$2,000,000 to \$10,400,000

Part of the increase in revenue was due to supplying the City of Regina with electric service for the full year compared to 8 months in 1965. However, there was also substantial growth in the number of customers and energy usage throughout both Gas and Electric Systems. Customers served at December 31 numbered 380,000 an increase of 16,000 over the previous year-end totals.

A review of the financial and accounting practices of the Corporation was conducted throughout the year and resulted in changes in certain respects to the procedures of the Corporation. These changes are set out in the Notes to the Financial Statements.

Recorded expenses include provision for wage increases to unionized employees for the period June to December, 1966, under contracts which were still under consideration at December 31.

Included for the first time is a cost for water rental amounting to \$200,000 which was assessed against the Corporation under the Water Power Act, R.S.S., 1953.

The Corporation's net accumulated investment in utility plant increased by a further \$38,400,000 during 1966. By primary asset classification, the comparative cost of utility plant was as follows:

Plant Details	1966 December 31	1965 December 31
Electric		
Generation	\$ 158,126,463	\$ 150,986,604
Transmission	102,873,123	91,489,977
Distribution	129,857,302	122,715,542
General	26,757,798	31,293,154
Total Electric	\$ 417,614,686	\$ 396,485,277
Gas		
Production	\$ 30,655,404	\$ 30,918,682
Gathering	12,656,095	11,918,131
Storage	4,224,451	3,753,547
Transmission	58,076,619	51,962,285
Compression	10,142,919	10,051,226
Distribution	47,999,457	44,681,097
General	1,459,007	1,892,947
Total Gas	\$ 165,213,952	\$ 155,177,915
Total Electric & Gas Plant in Service	\$ 582,828,638	\$ 551,663,192
Construction Work in Progress	\$ 31,383,895	\$ 24,147,857



Coating is applied to natural gas pipeline in preparation for a river crossing.

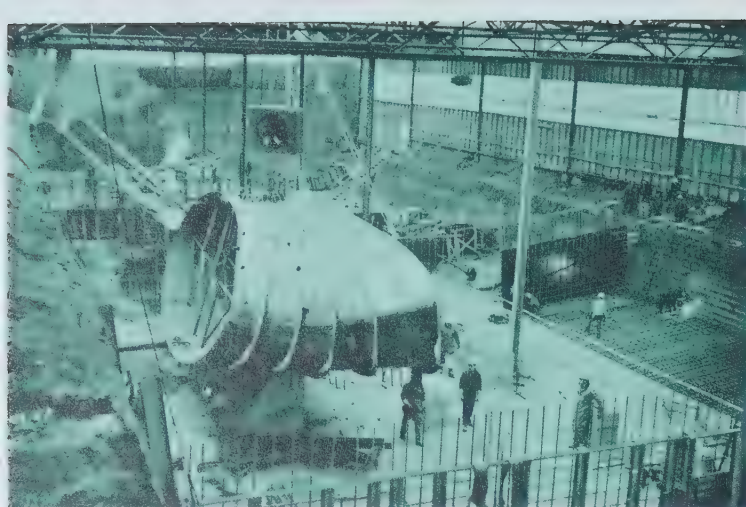
While it was necessary to obtain \$41,700,000 in additional capital advances from the Government of Saskatchewan during 1966, the net increase in long-term debt was \$7,000,000. Debt repayment and provision for future repayment offset the additional advances to the extent of \$35,500,000. The debt repaid included \$3 million which had been obtained on a short-term basis in 1965 and \$9.2 million which was required to meet Saskatchewan Savings Bonds presented to the Government for redemption during 1966.

Amounts, repayment dates and effective annual costs of new monies received from the Government are as follows:

Amount	Year Repayable	Effective Cost
\$ 2,400,000	1986	5.88%
\$12,336,300	1976	5.38%
\$11,979,000	1986	5.52%
\$15,000,000	1986	6.54%

The \$12.3 million was provided by an issue of Saskatchewan Savings Bonds which, like previous Saskatchewan Savings Bonds' issues, are redeemable at the option of the bondholders. The total of Government advances at December 31, which were provided by Saskatchewan Savings Bonds, amounted to \$60,000,000.

Further information about the source and uses of funds is presented in the Sources and Applications section of the Financial Statements.



At the Coteau Creek project, a draft tube section is lowered into place.

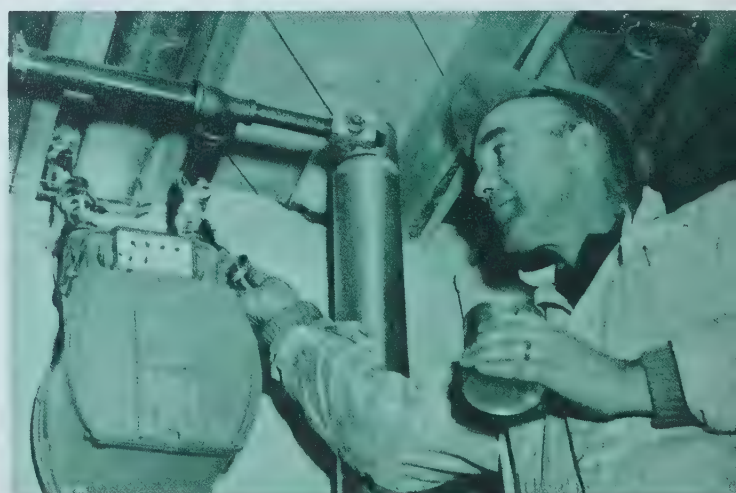


The work area at the site of the extension to Boundary Dam Power Station is closed in to permit winter construction.

Each year, hundreds of students gain a better understanding of the Corporation's operation by participating in plant tours.



The frost cutter speeds trenching through frozen ground and pavement.



A customer service call gets prompt attention.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1966 (With Comparative Figures for 1965)

	1966 (000's)	1965 (000's)
REVENUE		
Electricity and natural gas sales	\$ 80,748	\$ 72,480
EXPENSES		
Production and purchase of electricity and natural gas and depletion of gas reserves (See Note 3)	\$ 15,514	\$ 12,501
Transmission and distribution	10,475	9,432
Other operating, administration and engineering (See Note 4)	7,935	7,389
Depreciation (See Note 5)	17,332	16,054
	<u>\$ 51,256</u>	<u>\$ 45,376</u>
NET OPERATING INCOME	<u>\$ 29,492</u>	<u>\$ 27,104</u>
OTHER INCOME	<u>1,216</u>	<u>1,122</u>
GROSS INCOME	<u>\$ 30,708</u>	<u>\$ 28,226</u>
INCOME DEDUCTIONS		
Interest and other long-term debt costs (See Note 6)	<u>20,326</u>	<u>19,825</u>
NET INCOME FOR THE YEAR	<u>\$ 10,382</u>	<u>\$ 8,401</u>
ACCUMULATED NET INCOME — BEGINNING OF YEAR	<u>\$ 42,489</u>	<u>\$ 34,088</u>
ACCUMULATED NET INCOME — END OF YEAR	<u><u>\$ 52,871</u></u>	<u><u>\$ 42,489</u></u>

Auditor's Report

Pursuant to the provisions of Section 47 of The Power Corporation Act, an examination of the books and accounts of the Saskatchewan Power Corporation and its wholly-owned subsidiary has been made under my direction for the year ended December 31, 1966. All the information and explanations required by me have been obtained. The examination included a general review of the accounting records and other supporting evidence as was considered necessary in the circumstances.

Provision has been made for depreciation on Plant in Service and for Reserves in accordance with regulations made by the Lieutenant-Governor in Council pursuant to Section 46 of The Power Corporation Act. Full provision has been made for interest on capital advances.

I report that, in my opinion, the accompanying Consolidated Balance Sheet and Consolidated Statement of Income and notes appended thereto are properly drawn up,

in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as referred to in Notes 3 and 6, so as to show a true and correct view of the financial affairs of the Saskatchewan Power Corporation and its wholly-owned subsidiary as at December 31, 1966, and the results of its consolidated operations for the year ended on that date, according to the best of my information and the explanations given to me and as shown by the books of account.

Regina, Saskatchewan,
February 9, 1967.



C. H. Smith, F.C.A.,
Provincial Auditor of Utilities

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1966 (With Comparative Figures for 1965)

ASSETS

	1966 (000's)	1965 (000's)
UTILITY PLANT		
Plant in service — at cost		
Electric	\$ 417,615	\$ 396,485
Gas	165,214	155,178
	\$ 582,829	\$ 551,663
Less: Accumulated depreciation and depletion	102,170	87,276
	\$ 480,659	\$ 464,387
Construction work in progress	31,384	24,148
	\$ 512,043	\$ 488,535
CURRENT ASSETS		
Cash	\$ 2,116	\$ 2,625
Short-term investments — at cost	5,500	2,500
Accounts receivable		
Consumers' accounts	6,699	7,133
Currently maturing farm loans and others	1,462	1,836
Materials and supplies (including construction materials)— at cost	6,771	6,721
Natural gas in storage — at cost	565	636
Prepaid expenses	216	240
	\$ 23,329	\$ 21,691
DEFERRED AND OTHER ASSETS		
Farm loans and sundry receivables	\$ 1,574	\$ 1,670
Unamortized debt discount and expense	8,107	8,199
Other deferred charges	183	294
	\$ 9,864	\$ 10,163
	\$ 545,236	\$ 520,389



Annual Report, 1966

LIABILITIES

	1966 (000's)	1965 (000's)
LONG-TERM LIABILITIES AND ACCUMULATED NET INCOME		
Advances from Government of Sask. for capital (See schedule)	\$ 494,794	\$ 469,449
Less Corporation equity in Government sinking funds (See Note 6)	102,542	86,216
	\$ 392,252	\$ 383,233
Other long-term liabilities (See schedule)	23,698	25,705
	\$ 415,950	\$ 408,938
Less currently maturing portion	31,660	31,654
	\$ 384,290	\$ 377,284
Accumulated net income	52,871	42,489
	\$ 437,161	\$ 419,773
CURRENT LIABILITIES		
Currently maturing long-term liabilities (See schedule)	\$ 31,660	\$ 31,654
Interest accrued on Government advances and on purchase agreements	9,246	8,821
Accounts payable and accrued charges	10,439	6,600
	\$ 51,345	\$ 47,075
DEFERRED CREDITS		
Customers' deposits and accrued interest	\$ 2,826	\$ 2,532
Other	381	98
	\$ 3,207	\$ 2,630
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 53,523	\$ 50,911
	\$ 545,236	\$ 520,389

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1966 (With Comparative Figures for 1965)

	1966 (000's)	1965 (000's)
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 10,382	\$ 8,401
Add expenses which did not require an outlay of cash in the current year	20,419	18,212
	<u>\$ 30,801</u>	<u>\$ 26,613</u>
Advances from Government of Saskatchewan for capital	41,105	32,754
Net increase in other long-term liabilities	(2,007)	14,730
Contributions in aid of construction, less farm loans not currently receivable	2,217	1,702
Farm loans currently maturing	423	682
	<u>\$ 72,539</u>	<u>\$ 76,481</u>
APPLICATION OF FUNDS		
Expenditures on plant and equipment	\$ 42,338	\$ 49,172
Advances from Government of Saskatchewan retired and refinanced, sinking fund re- quirements and provision for current maturities	33,470	42,057
Net change in deferred and other items	(637)	(947)
	<u>\$ 75,171</u>	<u>\$ 90,282</u>
NET DECREASE IN WORKING CAPITAL	<u>\$ 2,632</u>	<u>\$ 13,801</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1

Until April 1966, the Department of National Revenue of the Government of Canada continued to assess the Corporation for sales tax allegedly payable on natural gas used by the Corporation as a fuel in the process of generating electricity at power stations equipped with internal combustion engines for driving the generators.

The Corporation contends that sales tax was not payable by the Corporation in this instance and, therefore, the accompanying financial statements do not reflect the increased cost of power produced nor the liability for this contingency. Calculated on the basis of the assessment, the contingent liability at year end would approximate \$271,000.

NOTE 2

Early in 1966, E. K. Construction Ltd. filed statement of claim against the Corporation in respect of certain claims amounting to \$282,616 relating to a 1965 contract for the construction of certain natural gas transmission and distribution facilities. The Corporation has filed its statement of defense. The matter is now pending litigation.

NOTE 3

During 1966 the gas depletion base was enlarged to include all actual and anticipated costs to remove all gas reserves from the ground. Previously only accumulated actual costs were included in the base. This change increased the depletion charge by \$302,000 for the year. Using the unit of production method, the total depletion charge for 1966 was \$1,498,427 as compared to \$1,070,926 for 1965.

NOTE 4

Engineering, Administrative and Supervisory costs totalling \$2,804,717 (\$3,055,226 in 1965) have been capitalized in the determination of these expenses.

NOTE 5

Depreciation provisions have been determined on the straight-line composite rate basis. The total depreciation provided for the year 1966 was \$17,841,184, of which \$509,092 was capitalized. Corresponding figures for 1965 were \$16,576,646 and \$523,484 respectively.

NOTE 6

Sinking fund earnings are the Corporation's share of amounts earned by Government sinking funds. Prior to 1966, the Government of Saskatchewan recorded sinking fund investment purchases at their par value. Any discounts or premiums on such security purchases were considered as income items for the current year. Commencing with 1966 purchases, any discounts or premiums are being amortized over the remaining life of the security. The security will be carried at cost plus the amortized portion of discount or premium.

On a basis consistent with that followed in previous years, the Corporation's share of sinking fund earnings would have been reported at \$1,609,000 more than the amount indicated here.

Interest and other long-term debt costs are comprised of the following:

	1966	1965
Interest	\$ 24,286,022	\$ 23,079,857
Interest Capitalized	(1,728,938)	(1,310,322)
Debt discount amortized	701,882	700,801
Foreign exchange	1,495,792	1,265,011
	\$ 24,754,758	\$ 23,735,347
Less Sinking Fund earnings	4,429,052	3,910,107
	\$ 20,325,706	\$ 19,825,240

SCHEDULE OF LONG TERM DEBT

ADVANCES FROM GOVERNMENT OF SASKATCHEWAN

Year Received	Year Repayable	Interest Rate	Face Amount in Foreign Currency (1) & (2)	Recorded Liability	Equity In Government Sinking Fund	Sinking Fund and Debt Repayment Requirements 1967
1951	1967	3¾	\$ 2,220	\$ 2,220	\$ 1,058	\$ 1,162
1961	1967	5		2,000	339	1,661
1950	1968	3½		3,820	1,473	127
1962	1969	5		3,000	393	90
1964	1969	5		5,000	312	150
1953	1969	4¼		4,390	1,531	150
1950	1970	3⅞	1,588	1,588	680	69
1960	1970	2		1,000	238	30
1954	1972	3¼		7,000	3,415	210
1953	1973	3½		1,872	821	56
1953	1973	4	10,000	10,000	4,702	300
1954	1974	3¼	8,100	8,100	3,940	244
1955	1975	3¼		7,000	3,206	210
1955	1975	3½		15,000	6,900	450
1960	1975	4½	40,000*	9,103	2,118	300
1960	1975	2		2,000	372	60
1956	1976	3¾	18,750	18,750	7,358	563
1956	1976	4½		6,000	2,346	180
1957	1977	4¾		2,325	814	70
1957	1977	4¾	15,750	15,750	5,445	473
1961	1977	4¾	5,000	5,000	818	150
1957	1977	5	25,000	25,000	8,116	750
1957	1977	5		6,000	2,052	180
1957	1977	5¼		2,500	843	75
1959	1979	5		15,000	3,588	450
1961	1979	5¾		8,000	1,649	240
1960	1980	5		2,650	570	79
1960	1980	5¼		6,750	350	340
1960	1980	5½		7,500	1,557	225
1960	1980	6		7,500	1,570	225
1961	1981	5¼		1,000	169	30
1961	1981	5½		10,000	1,706	300
1962	1982	5¼		12,000	1,621	360
1963	1982	5¼		15,000	1,447	450
1962	1982	5½		25,000	3,300	750
1958	1983	4⅞	25,000	25,000	7,339	750
1963	1983	5	25,000	26,918	2,438	750
1959	1984	4¾	20,000	20,000	4,925	600
1959	1984	5	15,000	15,000	3,647	450
1964	1984	5½		2,000	89	42
1964	1985	5½		11,000	680	330
1966	1986	6¼		15,000		450
1966	1986	5½		11,979 (3)		359
1965	1990	4⅞	5,000	5,371	151	150
1961	1991	5¾		4,000	689	120
1964	1994	5½		5,000	224	105
1961	1971	5		9,126	1,999	
1962	1972	5		7,677	1,303	
1963	1973	5 - 5½		7,682	944	9,000
1964	1974	5 - 5½		10,585	805	
1965	1975	5 - 5¼ - 5½		13,452	492	
1966	1976	5 - 5½		11,188		
1965	1967	5½		5,300		5,300
1947	1967-77	2%		392		31
1959	1979	5¾		62		
1960	1980	5		563		
1961	1981	5		1,264		
1962	1982	5⅞		1,923		
1963	1983	5¼		2,024		
1964	1984	5¼		1,960		
1965	1985	5½		2,140		
1966	1986	5⅞		2,400		
				\$ 493,824		
Accumulated provision for exchange on advances repayable in United States funds received prior to 1961				970		194
				\$ 494,794	\$ 102,542	\$ 29,790

	Recorded Liability	Equity In Government Sinking Fund	Sinking Fund and Debt Repayment Requirements 1967
OTHER LONG TERM DEBT			
PURCHASE AGREEMENTS:			
City of Regina			
This is the present value, on the basis of a 5½% interest rate, of estimated payments yet to be made to the City for its electrical system. Final payment expected to be made in 1983.	15,406		1,361
City of Weyburn			
This is the outstanding portion of the \$2,000,000 purchase price for the City's electrical system. Semi-annual payments, with interest of 5½%, will retire this liability in 1979.	1,529		83
Crescent Petroleum Corporation			
This is the present value, on the basis of a 5¼% interest rate of payments yet to be made for a gas field purchased in 1959. Final payment will be made in 1978.	6,642		411
MORTGAGES:			
Royal Bank of Canada			
6% — First mortgages on houses in Estevan.	121		15
	23,698		
	<u>\$ 518,492</u>	<u>\$ 102,542</u>	<u>\$ 31,660</u>

(1) United States dollars except the item (*) which is Swiss francs.

(2) Advances from the Government of Saskatchewan, being the proceeds of Swiss pay debt issued by the Government in 1960 and United States pay debt issued by the Government since the devaluation of the Canadian dollar since 1961, are recorded in the records at the equivalent in Canadian dollars received at the time of issue. Advances from the Government being the proceeds of United States pay debt issued by the Government prior to 1961, when the Canadian dollar was valued at par or above par in terms of the United States dollar, are recorded on the basis that a United States dollar equals a Canadian dollar.

In 1964 and for subsequent years annual provisions have been charged against income for the foreign exchange that will be payable on maturity should present exchange rates continue to that time. The provision in 1966 was \$774,085. In addition to the accumulated provision, \$33,279,000 of sinking fund investments are payable in United States dollars.

(3) Subject to redemption upon six months notice.

(4) Subject to redemption on demand.

(5) Repayment terms have not yet been established.

STATISTICAL INFORMATION

OPERATIONS—ELECTRIC SYSTEM

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
*Customers	258,577	251,361	206,053	201,613	197,816	193,242	176,600	166,703	157,345	146,759
*Electricity sold (millions of kwh)	2,918	2,462	1,860	1,641	1,393	1,193	1,001	916	762	660
Average yearly residential consumption (kwh)	4,108	3,830	3,306	3,092	2,921	2,830	2,524	2,379	2,114	2,059
Average yearly farm consumption (kwh)	6,268	5,997	5,117	4,637	4,247	3,761	3,610	3,458	2,966	2,597
Rated generating capacity (kw)										
Hydro	281,000	201,000	201,000	134,000						
Steam	537,000	537,000	452,000	444,000	499,000	499,000	499,000	398,000	275,000	200,000
Internal combustion	62,150	62,150	41,150	41,150	41,150	47,550	49,060	52,260	52,260	35,720
Total	880,150	800,150	694,150	619,150	540,150	546,550	548,060	450,260	327,260	235,720
Seasonal gross system peak load (kw)	756,500	696,100	539,500	471,000	424,700	370,000	333,600	272,300	247,500	204,000
Miles of line excluding urban distribution systems										
72 kv and higher	4,182	3,870	3,610	3,360	3,120	2,950	2,800	2,350	1,960	1,530
Under 72 kv	69,852	69,420	68,580	67,700	66,330	65,230	63,300	61,030	57,800	52,100

OPERATIONS—GAS SYSTEM (Gas volumes at 14.65 psia)

Customers	122,019	113,584	105,252	97,000	88,446	80,551	71,061	59,326	45,502	30,715
*Gas sold (Thousands of Mcf)	67,835	61,519	51,646	46,768	42,450	37,275	28,493	27,885	18,373	9,854
Average yearly residential consumption (Mcf)	182	189	167	162	171	164	168	173	155	161
Degree days deficiency (Regina)	11,380	11,573	10,635	9,851	10,235	10,357	10,661	10,562	9,928	10,534
Maximum daily production (Mcf)	360,880	318,540	266,880	233,100	227,800	215,029	152,371	131,941	109,436	64,968
Miles of pipeline in service										
Gathering	410	400	350	290	240	210	200	185	160	60
Transmission and laterals	2,787	2,550	2,400	2,250	2,100	1,860	1,690	1,380	980	680
†Distribution	1,769	1,649	1,549	1,439	1,339	1,189	1,099	959	839	850
AVERAGE MONTHLY EMPLOYEES	2,779	2,789	2,787	2,858	2,758	2,625	2,547	2,437	2,161	1,765

FINANCIAL (Thousands of Dollars)

INCOME—ELECTRIC SYSTEM

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
*Revenue	\$ 52,866	\$ 46,145	\$ 39,778	\$ 36,893	\$ 33,106	\$ 30,263	\$ 26,667	\$ 23,909	\$ 20,688	\$ 18,152
Operating, engineering and administrative expenses	20,310	16,710	14,290	14,726	14,278	13,472	12,344	11,736	9,805	9,998
Depreciation	13,159	12,223	10,963	9,322	9,010	8,568	7,749	6,275	4,907	4,096
Total operating expenses	33,469	28,933	25,253	24,048	23,288	22,040	20,093	18,011	14,712	14,094
Operating income	19,397	17,212	14,525	12,845	9,818	8,223	6,574	5,898	5,976	4,058
Other income	754	825	793	1,156	1,020	1,094	720	669	640	601
Interest and other long term debt costs—net	14,225	13,384	12,512	10,572	8,948	8,631	7,167	5,393	4,122	3,443
Net income	\$ 5,926	\$ 4,653	\$ 2,806	\$ 3,429	\$ 1,890	\$ 686	\$ 127	\$ 1,174	\$ 2,494	\$ 1,216

INCOME—GAS SYSTEM

*Revenue	\$ 30,081	\$ 27,285	\$ 23,019	\$ 20,278	\$ 18,668	\$ 16,354	\$ 13,281	\$ 11,607	\$ 8,993	\$ 4,996
Operating, engineering and administrative expenses	14,315	12,491	10,779	9,422	8,546	7,854	6,617	5,675	5,501	2,442
Depreciation and depletion	5,671	4,902	4,261	3,747	3,046	2,694	2,175	1,644	1,230	893
Total operating expenses	19,986	17,393	15,040	13,169	11,592	10,548	8,792	7,319	6,731	3,335
Operating income	10,095	9,892	7,979	7,109	7,076	5,806	4,489	4,288	2,262	1,661
Other income	462	297	279	349	216	267	359	276	115	105
Interest and other long term debt costs—net	6,101	6,441	5,981	5,433	5,293	4,961	3,927	2,723	1,533	1,164
Net income	\$ 4,456	\$ 3,748	\$ 2,277	\$ 2,025	\$ 1,999	\$ 1,112	\$ 921	\$ 1,841	\$ 844	\$ 602
Electric and Gas System—net income	\$ 10,382	\$ 8,401	\$ 5,083	\$ 5,454	\$ 3,889	\$ 1,798	\$ 1,048	\$ 3,015	\$ 3,338	\$ 1,818

Plant in service at cost

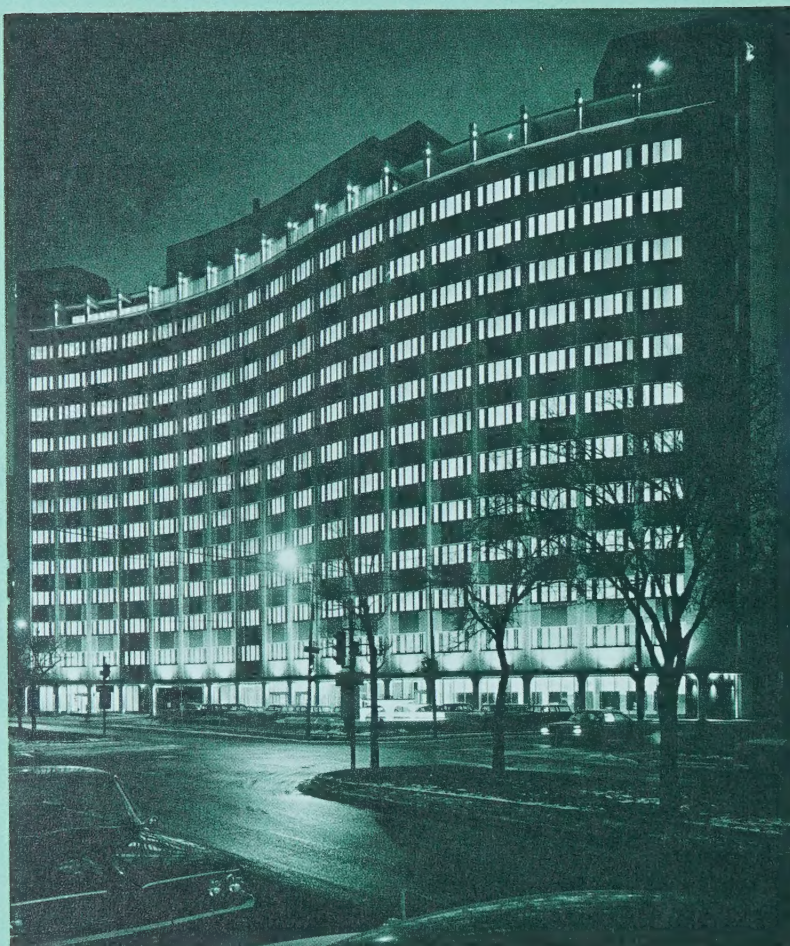
Electric	\$ 417,615	\$ 396,485	\$ 366,607	\$ 325,262	\$ 265,432	\$ 242,460	\$ 227,670	\$ 186,335	\$ 158,902	\$ 127,036
Gas	\$ 165,214	\$ 155,178	\$ 144,338	\$ 133,789	\$ 119,996	\$ 110,769	\$ 101,514	\$ 82,841	\$ 52,710	\$ 37,662

Under construction

Electric and gas	\$ 31,384	\$ 24,148	\$ 20,720	\$ 36,995	\$ 81,697	\$ 53,483	\$ 28,342	\$ 33,276	\$ 32,525	\$ 23,147
Net long term liabilities	\$ 415,950	\$ 408,938	\$ 392,093	\$ 375,148	\$ 347,471	\$ 320,998	\$ 287,159	\$ 245,306	\$ 185,423	\$ 161,619
Accumulated net income	\$ 52,871	\$ 42,489	\$ 34,088	\$ 29,005	\$ 23,551	\$ 19,661	\$ 18,068	\$ 17,019	\$ 14,004	\$ 10,666
Accumulated net income as a percentage of long term liabilities and accumulated net income	11.3	9.4	8.0	7.2	6.3	5.8	5.9	6.5	7.0	6.2

* Inter-system usage of electricity and gas is included herein as system revenue. Such usage is eliminated on the Consolidated Statement of Income.

† Pipeline mileage corrected in 1966 for the years 1958-1965 inclusive.



The Saskatchewan Power Building in Regina, headquarters of the utility's province-wide operations.

